

Message Text

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ORIGIN PM-07

INFO OCT-01 AF-10 ARA-11 EA-11 EUR-25 NEA-10 RSC-01 AID-20

ADP-00 CIAE-00 DODE-00 H-02 INR-10 L-03 NSAE-00

NSC-10 PA-03 PRS-01 SS-15 USIA-12 IO-12 IGA-02 TRSE-00

OMB-01 MC-02 EB-11 /180 R

DRAFTED BY PM/ MAS: DRNORLAND/ RS

5/24/73: EXT. 23564

APPROVED BY PM - RONALD I. SPIERS

ARA - MR. NORTON / T- MR. LEWIS

AF - MR. NAVEZ / EA- CAPT. WARREN

EUR - MR. REHFELD / S/ S- MR. BARNES

AID- MISS LOWENSTEI(INFORMED)

NEA - MR. PADELDFORD

L/ PM - MR. MICHEL (INFORMED)

PM/ PA - MR. KINGSOLVING

H - MR. PRENTICE

----- 030510

R 242138 Z MAY 73

FM SECSTATE WASHDC

TO ALL DIPLOMATIC POSTS

UNCLAS STATE 100342

E. O. 11652: N/ A

TAGS: MASS XX

SUBJECT: FY 74 SECURITY ASSISTANCE LEGISLATION

REFERENCE: STATE 085052

1. FOLLOWING IS REPORT ON STATUS OF FY 1974 SECURITY ASSIS-
TANCE LEGISLATION.

2. AS NOTED REFTEL, ADMINISTRATION BILL WAS SENT TO CONG-
RESS MAY 1. HOWEVER, IT HAD BEEN PRECEDED BY LEGISLATION
INTRODUCED BY SENATOR FULBRIGHT ON APRIL 3 AIMED AT REDUC-
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ING SHARPLY SECURITY ASSISTANCE PROGRAMS INCLUDING PHASEOUT
OF GRANT MATERIEL AT THE END OF FY 1975. IN HEARINGS BEFORE
SENATE FOREIGN RELATIONS COMMITTEE (SFRC), SENATOR FULBRIGHT
STRESSED THAT GRANT MATERIEL IS ANACHRONISM IN LIGHT OF
CHANGED WORLD SITUATION AND POINTED TO ADMINISTRATION' S SUC-

CESS IN ACHIEVING BETTER RELATIONS WITH USSR AND PRC. HE ALSO PRESENTED PHASE DOWN OF GRANT AID AS ESSENTIAL IN VIEW OF U. S. BALANCE OF PAYMENTS DIFFICULTIES.

3. ON MAY 22, SFRC TOOK UP QUESTION OF WHETHER TO USE ADMINISTRATION BILL OR FULBRIGHT PROPOSAL AS BASIS FOR DISCUSSION AND AMENDMENT. COMMITTEE VOTED 9-8 TO QUOTE MARK UP UNQUOTE FULBRIGHT PROPOSAL WHICH, AFTER AMENDMENT, WAS REPORTED OUT BY SFRC BY VOTE OF 13-3.

4. SFRC BILL AS AMENDED HAS NOT YET BECOME AVAILABLE. HOWEVER, OUR BEST INFO AT THIS TIME IS THAT IT INCLUDES THE FOLLOWING PROVISIONS:

A. END GRANT MILITARY MATERIEL ASSISTANCE IN FOUR YEARS, I. E. BY END FY 1977;

B. AUTHORIZE DOLS 420 MILLION IN FY 1974 GRANT MATERIEL ASSISTANCE ON A LINE- ITEM BASIS FOR 9 COUNTRIES AS FOLLOWS: REPUBLIC OF KOREA DOLS 119 MILLION; TURKEY DOLS 49 MILLION; THAILAND DOLS 34 MILLION; JORDAN DOLS 30 MILLION; PHILIPPINES DOLS 13 MILLION; INDONESIA DOLS 13 MILLION; ETHIOPIA DOLS 7 MILLION; SPAIN DOLS 5 MILLION; AND CAMBODIA DOLS 150 MILLION;

C. AUTHORIZE DOLS 95 MILLION IN SUPPORTING ASSISTANCE TO FOUR COUNTRIES: ISRAEL DOLS 50 MILLION; JORDAN DOLS 35 MILLION; THAILAND DOLS 7 MILLION; SPAIN DOLS 3 MILLION. (MALTA AND UNFICYP ARE DROPPED FROM LIST OF SA RECIPIENTS);

D. INCREASE THE REQUIREMENT OF A DEPOSIT OF LOCAL CURRENCY TO 25 PERCENT ON MAP MATERIEL AND EDA AND TO 15 PERCENT ON TRAINING;

E. ELIMINATE MAAGS BY THE END OF FY 77 AND TRANSFER THEIR UNCLASSIFIED

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FUNCTIONS TO DEFENSE ATTACHES;

F. PROHIBIT DOD MILITARY ASSISTANCE SERVICE FUNDING (MASF) FOR VIETNAM OR LAOS AFTER FY 1973 BUT SEE PARAGRAPH 6 BELOW.

G. PROVIDE HIGHLY CONCESSIONAL CREDIT THROUGH FY 78 FOR COUNTRIES TERMINATING MAP PROGRAMS, ALTHOUGH MAINTAINING DOLS 300 MILLION IN FMS CREDIT FOR ISRAEL (THE SAME AS THE ADMINISTRATION'S REQUEST);

H. REDUCE FMS CREDIT (DOLS 200 MILLION NEW OBLIGATIONAL AUTHORITY) AND ENCOURAGE SHIFT OF CREDIT TO THE EXPORT- IMPORT BANK AND COMMERCIAL BANKS;

I. APPROPRIATE DOLS 25 MILLION AS SEPARATE ITEM FOR TRAINING WORLDWIDE.

5. OTHER AMENDMENTS APPROVED FOR INCORPORATION INTO SFRC BILL, TEXTS OF WHICH ARE NOT YET AVAILABLE, INCLUDE THE FOLLOWING: - -

A. SECSTATE IS AUTHORIZED TO ALLOCATE FUNDS TO DOD OR OTHER AGENCIES TO PERFORM FUNCTIONS UNDER THE ACT;

B. TWENTY- FIVE PERCENT LOCAL CURRENCY DEPOSIT REQUIREMENT APPLIES TO (1) ADMINISTRATIVE COSTS, AND (2) GRANT AID RECEIVED DURING FOUR- YEAR PHASEOUT. MILITARY PAY AND ALLOWANCES ARE EXEMPTED;

C. UP TO DOLS 25 MILLION IN EXCESS ARMS AND EQUIPMENT MAY BE GIVEN TO (UNSPECIFIED) COUNTRIES IN 1974, THE AMOUNT TO BE DEDUCTED FROM OVERALL GRANT AID AUTHORIZATION;

D. GRANTS OF EXCESS DEFENSE ARTICLES (EDA) ARE TO BE TREATED AS NEW GRANT AID MATERIAL FOR PURPOSES OF 25 PERCENT LOCAL CURRENCY REQUIREMENT (WHETHER VALUATION OF EDA REMAINS AT MINIMUM OF 33 ONE- THIRD PERCENT IS UNCLEAR);

E. FUTURE TRANSFERS OF MAJOR COMBATANT SHIPS TO FOREIGN COUNTRIES SHALL BE MADE ONLY PURSUANT TO SPECIFIC CON- UNCLASSIFIED

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RESSIONAL AUTHORIZATION.

6. FOLLOWING ARE PRINCIPAL POINTS MADE IN COMMITTEE EXPLANATION OF ITS AMENDMENT CONCERNING MILITARY AID TO SOUTH VIETNAM, CAMBODIA AND LAOS:

A. ONE- FOR- ONE REPLACEMENT OF ARMS AND MUNITIONS IS AUTHORIZED FOR BOTH SOUTH VIETNAM AND LAOS IN ACCORDANCE WITH THE PROVISIONS OF THE VIETNAM AND LAOS CEASE- FIRE AGREEMENT. REPLACEMENT WOULD BE PROVIDED ON THE BASIS OF LISTS FILED WITH THE RESPECTIVE INTERNATIONAL CONTROL COMMISSIONS.

B. DOLS 150 MILLION IN MILITARY AID AUTHORIZED FOR CAMBODIA FOR FY 74, (APPROXIMATELY THE SAME AS FOR THIS FISCAL YEAR.) IF A CEASE- FIRE AGREEMENT IS REACHED IN CAMBODIA, ANY ADDITIONAL ARMS OR MUNITIONS SHALL BE PURSUANT TO THE TERMS OF THE CEASE- FIRE AGREEMENT.

C. IN THE EVENT OF A NEW OFFENSIVE BY NORTH VIETNAM, THE PRESIDENT COULD PROVIDE UNLIMITED MILITARY AID BY DECLARING THE VIETNAM CEASE- FIRE AGREEMENT NO LONGER IN EFFECT.

D. THE PRESIDENT IS AUTHORIZED TO DRAW ON DEPARTMENT OF DEFENSE STOCKS, IF NECESSARY, TO PROVIDE ONE- FOR- ONE RE-

PLACEMENT OF ARMS OR MUNITIONS TO SOUTH VIETNAM OR LAOS.

E. MILITARY TRAINING COULD BE PROVIDED UNDER THE PROVISIONS OF THE BILL RELATIVE TO TRAINING.

F. QUARTERLY REPORTS ARE REQUIRED FROM THE PRESIDENT ON ALL U. S. ASSISTANCE TO SOUTH VIETNAM, LAOS, OR CAMBODIA, THE NATURE AND EXTENT OF THE OFFICIAL AMERICAN PRESENCE, AND

THE GENERAL STATUS OF IMPLEMENTATION OF THE CEASE- FIRE AGREEMENTS.

7. COMMENT: DEPARTMENT IS ASSISTING IN PREPARATION OF MINORITY REPORT ON THE BILL AND EXPECTS FULL SCALE FLOOR DEBATE IN SENATE. HOUSE FOREIGN AFFAIRS COMMITTEE APPARENTLY PLANS TO MARK UP ADMINISTRATION PROPOSAL RATHER THAN UNCLASSIFIED

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SFAC APPROACH.

8. DEPARTMENT WILL KEEP POSTS CURRENTLY INFORMED OF DEVELOPMENTS ON SECURITY ASSISTANCE LEGISLATION. RUSH

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